

COVINGTON TOWNSHIP
BARAGA COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Covington Township	LOCAL AUDIT & FINANCE DIV	County Baraga
Audit Date 6/30/05	Opinion Date 10/25/05	Date Accountant Report Submitted to State: 2/20/06		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Cowell & LaPointe, P.C.			
Street Address 101 S. Front St., Ste. 309		City Marquette	State MI
Accountant Signature <i>Gloria J. LaPointe</i>		ZIP 49855	Date 2/16/06

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COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT K. COWELL, CPA

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MARQUETTE, MICHIGAN 49855
906-228-5150

Board of Trustees
Covington Township
Baraga County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township as of June 30, 2005 and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT – Continued

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2005, on our consideration of Covington Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Covington Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Covington Township has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.


Cowell & LaPorte PC
Certified Public Accountants
Marquette, Michigan

October 25, 2005

Board of Trustees
Covington Township
Baraga County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents and have issued our report thereon dated October 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Covington Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Covington Township in a separate letter dated October 25, 2005.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Covington Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Covington Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition follows:

- The limited staff of the Township does not permit adequate segregation of duties.

AUDITOR'S COMPLIANCE LETTER – Continued

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Covington Township, in a separate letter dated October 25, 2005.

This report is intended solely for the information of Covington Township management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Marquette, Michigan

October 25, 2005

COVINGTON TOWNSHIP

STATEMENT OF NET ASSETS June 30, 2005

	Governmental Activities
Assets	
Cash	\$ 354,727
Accounts receivable	15,949
Capital assets - less accumulated depreciation of \$276,077	<u>591,197</u>
Total assets	<u>\$ 961,873</u>
Liabilities	
Accounts payable	\$ 28,532
Accrued payroll, withholdings and benefits	1,211
Total liabilities	<u>29,743</u>
Net Assets	
Investment in capital assets - net of related debt	591,197
Unrestricted	<u>340,933</u>
Total net assets	<u>932,130</u>
Total liabilities and net assets	<u>\$ 961,873</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Legislative	\$ 7,232	\$	\$	\$ (7,232)
General government	84,121	5,866		(78,255)
Public safety	14,236	1,875	990	(11,371)
Public works	52,094	30,479		(21,615)
Health and welfare	26,925	13,871	3,000	(10,054)
Culture and recreation	16,005			(16,005)
Community/economic development	314			(314)
Total Governmental Activities	\$ 200,927	\$ 52,091	\$ 3,990	(144,846)
General Revenues:				
Taxes:				
Property taxes				38,753
Commercial forest act				4,956
Swamp tax				31,830
Penalty, interest and fees on taxes				5,383
State-shared revenues				40,384
Cemetery lot sales				1,550
Interest and rentals				9,323
Other				2,979
Total general revenues				135,158
Change in Net Assets				(9,688)
Net Assets - July 1, 2004				941,818
Net Assets - June 30, 2005				\$ 932,130

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

GOVERNMENTAL FUNDS BALANCE SHEET June 30, 2005

	General Fund	Ambulance and Fire Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 253,974	\$ 82,471	\$ 18,282	\$ 354,727
Receivables:				
Accounts receivable	10,502	5,359		15,861
Due from tax fund	37	25	26	88
Total assets	<u>\$ 264,513</u>	<u>\$ 87,855</u>	<u>\$ 18,308</u>	<u>\$ 370,676</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 25,716	\$ 922	\$ 1,894	\$ 28,532
Accrued payroll, withholdings and benefits	1,211			1,211
Total liabilities	<u>26,927</u>	<u>922</u>	<u>1,894</u>	<u>29,743</u>
Fund Balances				
Unreserved:				
General fund	237,586			237,586
Recreation fund			10,086	10,086
Ambulance and fire fund		86,933		86,933
Liquor law enforcement fund			6,328	6,328
Total fund balances	<u>237,586</u>	<u>86,933</u>	<u>16,414</u>	<u>340,933</u>
Total liabilities and fund balances	<u>\$ 264,513</u>	<u>\$ 87,855</u>	<u>\$ 18,308</u>	<u>\$ 370,676</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

Total Governmental Fund Balances		\$	340,933
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
The cost of the capital assets is	\$	867,274	
Accumulated depreciation is		<u>(276,077)</u>	<u>591,197</u>
 Net assets of governmental activities			 <u>\$</u> <u>932,130</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2005

	General	Ambulance and Fire Fund	Other Nonmajor Governmental Funds	Totals
Revenues				
Taxes	\$ 51,888	\$ 14,212	\$ 14,822	\$ 80,922
Licenses and permits	5,866			5,866
State grants	40,384		990	41,374
Charges for services	30,479	15,746		46,225
Contributions and grants		3,000		3,000
Interest and rentals	8,312		1,011	9,323
Cemetery lot sales	1,550			1,550
Other	1,383	1,100	496	2,979
Total revenues	139,862	34,058	17,319	191,239
Expenditures				
Current				
Legislative	7,934			7,934
General government	79,620			79,620
Public safety	2,386	10,489	881	13,756
Public works	52,081			52,081
Health and welfare		17,595		17,595
Culture and recreation			15,069	15,069
Community and economic development	298			298
Other	9,060			9,060
Total expenditures	151,379	28,084	15,950	195,413
Net Change in Fund Balances	(11,517)	5,974	1,369	(4,174)
Fund Balances - July 1, 2004	249,103	80,959	15,045	345,107
Fund Balances - June 30, 2005	\$ 237,586	\$ 86,933	\$ 16,414	\$ 340,933

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (4,174)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation

Depreciation expense	\$ 32,912	
Capital outlay	<u>(27,398)</u>	<u>5,514</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (9,688)</u></u>
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See accompanying notes to financial statements.

COVINGTON TOWNSHIP

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	Agency Fund Type- Property Tax Collection Fund
Assets	
Cash	\$ 1,131
Liabilities	
Due to general fund	37
Due to ambulance/fire fund	25
Due to recreation fund	26
Due to other governmental units	1,043
Total liabilities	1,131
Net Assets	\$

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Covington Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

In 2004, Covington Township implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

Reporting Entity

Covington Township is governed by an elected five-member Board of Trustees and provides services for about 650 residents, which includes fire and ambulance protection and garbage collection. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued **JUNE 30, 2005**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - Continued

significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Covington Township reports two major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Ambulance and Fire Fund accounts for all of the activities of the Township's fire and ambulance services.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Fund Based Statements - Continued

Additionally, the Township reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. They are used to segregate the transaction of particular activities from regular revenue and expenditure accounts.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled interest income from the Ambulance and Fire Fund, Recreation Fund, and Liquor Law Enforcement Fund is allocated to the General Fund.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township property tax is levied, due, and becomes a lien each December 1st on the basis of the taxable value of property located in the Township as of the preceding December 31st. If the Township’s real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Baraga County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township.

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and other additions	20-50 years
Furniture and other equipment	5-20 years
Vehicles	10 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the Township's financial statements.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1st. A public hearing is then conducted to obtain taxpayer comments. Prior to July 1st, the budget is legally enacted by resolution.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2005

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budgetary Information – Continued

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits townships to amend their budgets during the year. The Township did not amend budgeted amounts during the year. The budgets are presented in the other supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, Covington Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund-Legislative	\$ 7,535	\$ 7,934	\$ 399
-External audit	2,250	2,630	380
-Board of review	1,100	1,280	180
-Treasurer	5,695	10,310	4,615
-Township hall	29,107	40,920	11,813
-Zoning	200	298	98
Recreation Fund	12,050	15,069	3,019

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes Covington Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2005

NOTE C - DEPOSITS AND INVESTMENTS - Continued

The Township considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC insurance limit of \$100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the tax collection which had its own checking account. The interest in the common bank account was allocated to the General Fund. In addition there was a certificate of deposit and savings account for the General Fund.

The investment policy adopted by the board in accordance with Act 20 PA 1943 is in accordance with state statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year-end, the Township's deposits and investments were reported in the basic financial statements as cash and cash equivalents as follows:

Governmental activities	\$354,727
Fiduciary funds	<u>1,131</u>
Total	<u>\$355,858</u>

All of the funds are invested in checking, savings, and certificate of deposit accounts.

The deposits of Covington Township were reflected in the accounts of bank and credit union deposits at \$356,173, of which \$200,000 was covered by federal depository insurance and \$156,173 was uninsured and uncollateralized.

COVINGTON TOWNSHIP**NOTES TO FINANCIAL STATEMENTS – Continued**
JUNE 30, 2005**NOTE D – CAPITAL ASSETS**

Capital asset activity of the Township's Governmental activities was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated				
Land	\$ 10,000	\$	\$	\$ 10,000
Building	<u> .</u>	<u>13,507</u>	<u> .</u>	<u>13,507</u>
Subtotal	10,000	13,507		23,507
Capital assets being depreciated				
Land improvements		5,732		5,732
Buildings	657,336	1,307		658,643
Office equipment	1,385	5,667		7,052
Equipment	86,015	1,185		87,200
Vehicles	<u>85,140</u>	<u> .</u>	<u> .</u>	<u>85,140</u>
Subtotal	829,876	13,891		843,767
Accumulated depreciation				
Land improvements		32		32
Building	184,127	18,691		202,818
Office equipment	231	1,143		1,374
Equipment	41,779	4,532		46,311
Vehicles	<u>17,028</u>	<u>8,514</u>	<u> .</u>	<u>25,542</u>
Subtotal	<u>243,165</u>	<u>32,912</u>	<u> .</u>	<u>276,077</u>
Net capital assets being depreciated	<u>586,711</u>	<u><19,021></u>	<u> .</u>	<u>567,690</u>
Governmental activities				
- total capital assets				
- net of depreciation	<u>\$596,711</u>	<u>\$<5,514></u>	<u>\$.</u>	<u>\$591,197</u>

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2005

NOTE D – CAPITAL ASSETS – Continued

Depreciation expense was charged to activities of the Township as follows:

Governmental activities:	
General government	\$21,685
Public safety	186
Culture and recreation	2,121
Health and welfare	<u>8,920</u>
Total governmental activities	<u>\$32,912</u>

NOTE E – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years.

NOTE F – DEFINED CONTRIBUTION PLAN

Plan Description – The Township has a defined contribution retirement plan administered by Municipal Retirement Systems, Inc., which covers substantially all employees except appointed boards, commissions, and part-time or seasonal employees.

Funding Policy - The plan, which qualifies under Internal Revenue Code Section 401 (a), is funded by contributions from the employer and employee, who each contribute five percent of an employee's annual compensation. Employees are vested 100% upon entering the plan and must be 18 years old.

Contributions by the employer and employee were ten percent of covered payroll for the year ending June 30, 2005. This reflects contributions of \$2,169 for the calendar year 2004 based on total payroll of \$35,714 and covered payroll of \$21,691.

REQUIRED SUPPLEMENTAL INFORMATION

COVINGTON TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenues:			
Taxes	\$ 47,558	\$ 51,888	\$ 4,330
Licenses and permits	2,500	5,866	3,366
State grants	41,473	40,384	(1,089)
Charges for services	28,200	30,479	2,279
Interest and rentals	1,500	8,312	6,812
Cemetery lot sales	2,500	1,550	(950)
Other revenue	2,500	1,383	(1,117)
Total revenues	126,231	139,862	13,631
Expenditures:			
Legislative	7,535	7,934	399
General Government:			
Supervisor	5,614	5,204	(410)
Clerk	5,450	5,177	(273)
External audit	2,250	2,630	380
Board of review	1,100	1,280	180
Treasurer	5,695	10,310	4,615
Assessor/equalization	13,300	7,107	(6,193)
Elections	2,200	1,707	(493)
Township hall and other property	29,107	40,920	11,813
Cemetery	5,487	5,285	(202)
Public Safety:			
Inspections	3,170	2,386	(784)
Public Works:			
Highways, streets and lighting	17,400	16,797	(603)
Sanitation	38,550	35,284	(3,266)
Community and Economic Development:			
Zoning	200	298	98
Other	12,545	9,060	(3,485)
Total expenditures	149,603	151,379	1,776
Net Change in Fund Balance	(23,372)	(11,517)	11,855
Fund Balance - July 1, 2004	249,103	249,103	
Fund Balance - June 30, 2005	\$ 225,731	\$ 237,586	\$ 11,855

COVINGTON TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE MAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2005

	Ambulance and Fire Fund		
	Budget	Actual	Over (Under) Budget
Revenues			
Taxes-Current tax collections	\$ 13,236	\$ 12,606	\$ (630)
-Commercial forest reserve	850	1,606	756
Ambulance services	20,000	13,871	(6,129)
Fire services	1,200	1,875	675
Contributions	3,000	3,000	
Miscellaneous		1,100	1,100
Total revenues	38,286	34,058	(4,228)
Expenditures			
Ambulance			
Salaries and wages	4,000	5,832	1,832
Training and renewals	2,000	753	(1,247)
Office supplies	250		(250)
Telephone	950	1,324	374
Pagers	200	243	43
Mileage	400	801	401
Insurance	4,400	4,360	(40)
Utilities	1,600	1,473	(127)
Repairs & maintenance-vehicle	500	1,210	710
-building	500	521	21
Supplies	1,000	1,078	78
Fire			
Salaries and wages	1,500	1,052	(448)
Supplies	400	583	183
Telephone	670	738	68
Pagers	200		(200)
Mileage	400	660	260
Insurance	4,000	4,360	360
Utilities	1,600	1,498	(102)
Repairs & maintenance-vehicle	1,500	959	(541)
-building	500	504	4
Training	300	135	(165)
Capital outlay	19,800		(19,800)
Total expenditures	46,670	28,084	18,586
Net Change in Fund Balances	(8,384)	5,974	14,358
Fund Balances - July 1, 2004	80,959	80,959	
Fund Balances - June 30, 2005	\$ 72,575	\$ 86,933	\$ 14,358

OTHER SUPPLEMENTAL INFORMATION

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS**

COMBINING BALANCE SHEET

June 30, 2005

	<u>Recreation Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Total Nonmajor Funds</u>
Assets			
Cash	\$ 11,954	\$ 6,328	\$ 18,282
Due from tax fund	26		26
	<u>\$ 11,980</u>	<u>\$ 6,328</u>	<u>\$ 18,308</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,894	\$	\$ 1,894
	<u>10,086</u>	<u>6,328</u>	<u>16,414</u>
Fund Balances			
Total liabilities and fund balances	<u>\$ 11,980</u>	<u>\$ 6,328</u>	<u>\$ 18,308</u>

COVINGTON TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2005

	<u>Recreation Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Total Nonmajor Funds</u>
Revenues			
Current tax collections	\$ 13,147	\$	\$ 13,147
Commercial forest reserve	1,675		1,675
State grants		990	990
Rent and reimbursements	1,011		1,011
Other	496		496
	<hr/>	<hr/>	<hr/>
Total revenues	16,329	990	17,319
Expenditures			
Public safety		881	881
Culture and recreation	15,069		15,069
	<hr/>	<hr/>	<hr/>
Total expenditures	15,069	881	15,950
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	1,260	109	1,369
	<hr/>	<hr/>	<hr/>
Fund Balances - July 1, 2004	8,826	6,219	15,045
	<hr/>	<hr/>	<hr/>
Fund Balances - June 30, 2005	<u>\$ 10,086</u>	<u>\$ 6,328</u>	<u>\$ 16,414</u>

COVINGTON TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>Over (Under) Budget</u>	<u>2004 Actual</u>
Revenues				
Taxes:				
Current tax levy	\$ 13,236	\$ 13,000	\$ (236)	\$ 13,061
Penalties, interest and fees on taxes	5,200	5,383	183	5,562
Swamp tax	28,272	31,830	3,558	33,003
Commercial forest reserve	850	1,675	825	2,055
Licenses and permits	2,500	5,866	3,366	7,545
State grants:				
State revenue sharing	41,473	40,384	(1,089)	42,506
Pavilion project				8,300
Contribution from local units-recreation				13,794
Charges for services	28,200	30,479	2,279	30,618
Interest and rentals	1,500	8,312	6,812	8,062
Cemetery lot sales	2,500	1,550	(950)	1,950
Other revenue	<u>2,500</u>	<u>1,383</u>	<u>(1,117)</u>	<u>210</u>
Total revenues	<u>\$ 126,231</u>	<u>\$ 139,862</u>	<u>\$ 13,631</u>	<u>\$ 166,666</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>Over (Under) Budget</u>	<u>2004 Actual</u>
Legislative				
Salaries	\$ 3,600	\$ 3,299	\$ (301)	\$ 3,299
Other	3,935	3,558	(377)	1,814
Capital outlay		1,077	1,077	
Total legislative	<u>7,535</u>	<u>7,934</u>	<u>399</u>	<u>5,113</u>
General Government				
Executive - supervisor:				
Salaries	5,064	5,064		5,064
Other	550	140	(410)	
Total executive	<u>5,614</u>	<u>5,204</u>	<u>(410)</u>	<u>5,064</u>
Clerk:				
Salaries	4,950	4,971	21	5,155
Other	500	206	(294)	304
Total clerk	<u>5,450</u>	<u>5,177</u>	<u>(273)</u>	<u>5,459</u>
External audit:				
Other	2,250	2,630	380	2,330
Board of review:				
Salaries	700	1,044	344	945
Other	400	236	(164)	60
Total board of review	<u>1,100</u>	<u>1,280</u>	<u>180</u>	<u>1,005</u>

COVINGTON TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - Continued FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>Over (Under) Budget</u>	<u>2004 Actual</u>
General Government (Continued)				
Treasurer				
Salaries	\$ 4,950	\$ 4,949	\$ (1)	\$ 4,949
Other	745	3,166	2,421	3,076
Capital outlay		2,195	2,195	
	<u>5,695</u>	<u>10,310</u>	<u>4,615</u>	<u>8,025</u>
Total treasurer				
Assessor/equalization:				
Salaries	3,000	3,635	635	2,280
Other	10,300	1,077	(9,223)	879
Capital outlay		2,395	2,395	
	<u>13,300</u>	<u>7,107</u>	<u>(6,193)</u>	<u>3,159</u>
Total assessor/equalization				
Elections:				
Salaries	615	870	255	83
Other	1,585	837	(748)	25
	<u>2,200</u>	<u>1,707</u>	<u>(493)</u>	<u>108</u>
Total elections				
Township hall and other property:				
Salaries	2,000	3,570	1,570	2,843
Other	27,107	16,804	(10,303)	12,180
Capital outlay		20,546	20,546	24,677
	<u>29,107</u>	<u>40,920</u>	<u>11,813</u>	<u>39,700</u>
Total township hall and other property				
Cemetery:				
Salaries	2,500	1,670	(830)	1,881
Other	2,987	3,615	628	1,787
	<u>5,487</u>	<u>5,285</u>	<u>(202)</u>	<u>3,668</u>
Total cemetery				
Total general government	<u>70,203</u>	<u>79,620</u>	<u>9,417</u>	<u>68,518</u>

COVINGTON TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - Continued FOR THE YEAR ENDED JUNE 30, 2005

	2005 Budget	2005 Actual	Over (Under) Budget	2004 Actual
Public Safety				
Building and electrical inspections:				
Salaries	\$ 1,100	\$ 1,476	\$ 376	\$ 1,608
Other	2,070	910	(1,160)	612
Total public safety	3,170	2,386	(784)	2,220
Public Works				
Highways, streets, lighting:				
Other	17,400	16,797	(603)	16,200
Sanitation:				
Salaries	600	502	(98)	551
Other	37,950	34,782	(3,168)	32,122
Total sanitation	38,550	35,284	(3,266)	32,673
Total public works	55,950	52,081	(3,869)	48,873
Community and Economic Development				
Zoning:				
Salaries	200	208	8	98
Other		90	90	
Total community and economic development	200	298	98	98
Other				
Insurance	8,500	7,132	(1,368)	7,538
FICA, Retirement	4,025	1,928	(2,097)	2,083
Other	4,933		(4,933)	21
Total other	17,458	9,060	(8,398)	9,642
Total expenditures	\$ 154,516	\$ 151,379	\$ (3,137)	\$ 134,464

COVINGTON TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION SPECIAL REVENUE FUNDS-RECREATION AND LIQUOR LAW ENFORCEMENT FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2005

	Recreation Fund			Liquor Law Enforcement Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
Taxes-Current tax collections	\$ 13,236	\$ 13,147	\$ (89)	\$	\$	\$
-Commercial forest reserve	850	1,675	825			
State grants				925	990	65
Rent and reimbursements	800	1,011	211			
Other	300	496	196			
Total revenues	15,186	16,329	(1,143)	925	990	65
Expenditures						
Recreation						
Salaries and wages	3,000	2,789	(211)			
Contract mowing	1,050	2,673	1,623			
July 4th music festival	900		(900)			
July 4th	3,500	4,499	999			
Miscellaneous	500	83	(417)			
Utilities	1,100	1,083	(17)			
Repairs & maintenance-equipment	1,500	929	(571)			
-building	500		(500)			
Supplies		1,828	1,828			
Capital outlay		1,185	1,185			
Liquor law enforcement						
Salaries and wages				900	881	(19)
Total expenditures	12,050	15,069	3,019	900	881	(19)
Net Change in Fund Balances	3,136	1,260	(1,876)	25	109	84
Fund Balances - July 1, 2004	8,826	8,826		6,219	6,219	
Fund Balances - June 30, 2005	<u>\$ 11,962</u>	<u>\$ 10,086</u>	<u>\$ (1,876)</u>	<u>\$ 6,244</u>	<u>\$ 6,328</u>	<u>\$ 84</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
ALL AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Tax Collection Fund

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash	<u>\$ 101</u>	<u>\$ 276,156</u>	<u>\$ 275,126</u>	<u>\$ 1,131</u>
Liabilities				
Interfund payables	<u>\$ 101</u>	<u>\$ 45,044</u>	<u>\$ 45,057</u>	<u>\$ 88</u>
Due to other governmental units		<u>231,112</u>	<u>230,069</u>	<u>1,043</u>
Total liabilities	<u>\$ 101</u>	<u>\$ 276,156</u>	<u>\$ 275,126</u>	<u>\$ 1,131</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
PROPERTY TAX DATA
FOR THE YEAR ENDED JUNE 30, 2005**

2004 Taxable Valuation--\$13,496,580

2004 Tax Levy	<u>Mills</u>	<u>Collections</u>
General	0.9697	\$ 13,000
Recreation	0.9697	13,147
Ambulance/Fire	<u>0.9297</u>	<u>12,606</u>
Total	<u><u>2.8691</u></u>	<u><u>\$ 38,753</u></u>

Board of Trustees
Covington Township
Baraga County, Michigan

MANAGEMENT LETTER ON ANNUAL REPORT

In connection with the examination of the financial statements of Covington Township for the year ended June 30, 2005, we submit the following comments and recommendations:

BUDGETS

Public Act 621 of 1978, as amended, requires that budgets should be amended prior to the expenditures being made. As indicated in Note B to the financial statements, there was overspending in the General Fund and the Recreation Fund. Your expenditures should be monitored on a monthly or at least, quarterly, basis with your budget and the budget should be amended to prevent overspending. Also, capital expenditures within the funds should be accounted for as a separate line item.

ACCOUNTING

Uniform Chart of Accounts: GASB No. 34 requires insurance and employee benefits to be allocated to the appropriate function if they are recorded in the functions of 851-899. Therefore, insurance, social security and Medicare, and workers compensation insurance breakdowns need to be made available by function if you continue to record these items in functions 851-899. It may be more practical to allocate these expenses at the end of the fiscal year. Please refer to the Uniform Chart of Accounts for Counties and Local Units of Government located on the Michigan Department of Treasury website (www.michigan.gov/treasury) under the local government section for guidance in setting up any new functional expenses.

Account Classifications: The examination of transactions indicated several receipts and disbursements misclassified in your accounting program. Please review the accounts being used when recording transactions to provide more accuracy in recording transactions. Capital assets should be recorded as capital outlay or equipment and not included under maintenance and repairs or supplies.

MANAGEMENT LETTER ON ANNUAL REPORT - Continued

Page Two

ACCOUNTING - Continued

Pension Distribution: A distribution was made from the pension plan and federal income tax was withheld. Be sure to file Form 945 with the Internal Revenue Service to report this information.

Monitoring of Disbursements: Your canceled checks are no longer being returned from the bank. It becomes even more important that check signers examine the invoice before signing the check and make sure it agrees to the list of checks that the Board approves. The QuickBooks program allows someone to change check information after it has been printed so the Board needs to take extra care when approving disbursements.

We appreciate the cooperation of Township personnel in completing the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Cowell & LaPointe PC
Certified Public Accountants

October 25, 2005

Board of Trustees
Covington Township
Baraga County, Michigan

We have audited the financial statements of Covington Township, for the year ended June 30, 2005 and have issued our report thereon dated October 25, 2005. Professional standards require that we provide you with following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated June 21, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Covington Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurances concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Covington Township are described in Note A to the financial statements. We noted no transactions entered into by Covington Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

LETTER ON ANNUAL REPORT – Continued
Page Two

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Covington Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Our audit adjustments consisted primarily of reclassification entries and year-end journal entries. These entries, individually, and in the aggregate, have a significant effect on the financial reporting process.

DISAGREEMENTS WITH MANAGEMENT

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Covington Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Covington Township Board of Trustees management and should not be used for any other purpose.

Very truly yours,


Cowell & LaPointe PC
Certified Public Accountants

October 25, 2005